EX PARTE OR LATE FILED

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JUL - 9 1996

Federal Communications Commission
Office of Secretary

July 9, 1996

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street NW - Room 222
Washington, D.C. 20554

Re: Ex Parte Meeting
CC Docket No. 96-45, Federal-State Joint Board on Universal Service

Dear Mr. Caton:

On July 2, 1996, John Broten and Alan Daley representating Bell Atlantic met with Commissioner Laska Schoenfelder, Camron Hoseck and Charlie Bolle from the South Dakota Public Utility Commission to discuss the above captioned proceeding. An Ex Parte for the meeting was filed with your office on July 3, 1996.

At that meeting Mr. Broten was asked to provide Bell Atlantic's proposal for high cost funding. That proposal was provided to Mr. Charlie Bolle on July 8, 1996.

An original and a copy of this Ex Parte, which includes a copy of Bell Atlantic's proposal are being filed in the office of the Secretary on July 9, 1996. Please include it in the public record of this proceeding.

Respectfully submitted,

Gerald Asch
Director - FCC Relations

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BELL ATLANTIC

A HIGH COST FUNDING ALTERNATIVE
BASED ON EXISTING HIGH COST FUND DATA

The objective is to provide federal funding to each state that has a statewide average cost per loop (SACL) that is above the nationwide average cost per loop (NACL).

The principle differences between this proposal and the existing funding mechanism are:

1) the universal service funding that a state receives is based on the statewide average cost per loop, instead of an individual LEC's cost per loop, relative to the nationwide average;
2) distribution of funds to eligible carriers is at the direction of the state commissions.

This federal funding serves as an equalizer so that those states with above average loop costs have additional funds to help ensure that rates for universal service are not disproportionately high due to a state's loop costs.

Distribution by the state commissions would allow the funds to be better targeted to eligible carriers in a manner that is consistent with other factors such as a provider's costs, affordability, local competition, etc. that are more appropriately evaluated at the state level.

The fund would be based on the most recent nationwide loop cost data submitted by the exchange carrier industry to the National Exchange Carrier Association. To provide for appropriate growth, the fund could be adjusted annually by some relevant factor such as access line growth or an inflation index.

There would be three basic adjustments to the funding mechanism. The adjustments would ensure that only those states with above average costs per loop would receive funding and, recognize that states with higher costs and relatively fewer loops should receive proportionately higher funding.

1. In order for any state to qualify for funding, the statewide average cost per loop would have to be greater than the nationwide average cost per loop. The current nationwide average cost per loop is $248.00. Based on the most recent data, 33 states would qualify for funding.

FOR DISCUSSION PURPOSES ONLY

BELL ATLANTIC

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2. An adjustment factor to recognize the amount by which a state's average cost per loop exceeds the nationwide average. A sliding adjustment scale would be used to give additional weighting to states farther above the nationwide average than those closer to the nationwide average.

Illustrative adjustment factors might be:

SACL as a percent of NACL	Weighting Factor
>100% to 125%	.25
>125% to 150%	.50
>150% to 175%	.75
>175%	1.00

3. A factor to recognize the number of loops in a particular jurisdiction relative to the nationwide average number per jurisdiction would attempt to equalize a state's ability to absorb above average loop costs over the number of loops in the jurisdiction. The nationwide average loops per jurisdiction (2,845,504) is computed by dividing the total USF Loops (153,657,189) by 54 jurisdictions (currently participating in the USF).

Illustrative adjustment factors might be:

Number of Loops in Jurisdiction as a percent of Nationwide Average Per Jurisdiction	Weighting Factor
Up to 50%	1.00
> 50% to 100%	.75
>100% to 150%	.25
>Above 150%	.10

If a state qualifies for funding, the adjustment factors would apply to the difference between a state's average cost per loop and the nationwide average. For example, a jurisdiction with a SACL of $375 (151% of the NACL) and a number of loops that is 120% of the average per jurisdiction would receive $23.25, i.e., ((372 - 248)=124*(.75*.25)), per loop per year. A jurisdiction with a SACL above 175% of the NACL and loops less than 50% of the nationwide average per jurisdiction would receive 100% of the difference between its SACL and the NACL.

BELL ATLANTIC PROPOSED
HIGH COST FUNDING BY STATE

		USF LOOPS (A)	SACL (B)	ST LOOP TO AVG (C=A/A56)	% SACL OF NACL (D=B/B57)	LOOP FACTOR (E)	COST FACTOR (F)	SACL-NACL (G=B-B57)	PROPOSED ANNUAL HCF (H=A*E*F*G)	CURRENT ANNUAL USF (I)	HCF PER LOOP/MO. (J=H/A/12)	USF PER LOOP/MO. (K=I/A/12)
1	MICRONESIA	14,730	$681.30	0.5%	274%	1.00	1.00	$433.01	$6,378,237	$4,247,539	$36.08	$24.03
2	VIRGIN ISLANDS	57,733	$560.39	2.0%	226%	1.00	1.00	$312.10	$18,018,469	$11,399,509	$26.01	$16.45
3	WYOMING	263,497	$393.78	9.3%	159%	1.00	0.75	$145.49	$28,752,134	$7,370,745	$9.09	$2.33
4	VERMONT	352,840	$383.16	12.4%	154%	1.00	0.75	$134.87	$35,690,648	$5,135,952	$8.43	$1.21
5	ALASKA	345,641	$381.62	12.1%	154%	1.00	0.75	$133.33	$34,563,236	$31,027,609	$8.33	$7.48
6	WEST VIRGINIA	879,754	$361.39	30.9%	146%	1.00	0.50	$113.10	$49,750,089	$19,585,121	$4.71	$1.86
7	PUERTO RICO	1,155,349	$356.78	40.6%	144%	1.00	0.50	$108.49	$62,671,907	$29,547,134	$4.52	$2.13
8	MISSISSIPPI	1,206,302	$346.53	42.4%	140%	1.00	0.50	$98.24	$59,253,554	$13,763,868	$4.09	$0.95
9	SOUTH CAROLINA	1,865,195	$345.84	65.5%	139%	0.75	0.50	$97.55	$68,231,165	$19,960,907	$3.05	$0.89
10	ARKANSAS	1,216,979	$337.80	42.8%	136%	1.00	0.50	$89.51	$54,465,895	$38,082,538	$3.73	$2.61
11	MAINE	716,488	$337.46	25.2%	136%	1.00	0.50	$89.17	$31,944,617	$7,333,716	$3.72	$0.85
12	NEW HAMPSHIRE	692,793	$334.63	24.3%	135%	1.00	0.50	$86.34	$29,907,874	$5,109,978	$3.60	$0.61
13	MONTANA	458,824	$323.08	16.1%	130%	1.00	0.50	$74.79	$17,157,723	$12,068,325	$3.12	$2.19
14	NEW MEXICO	806,382	$313.07	28.3%	126%	1.00	0.50	$64.78	$26,118,713	$16,236,092	$2.70	$1.68
15	LOUISIANA	2,213,956	$311.19	77.8%	125%	0.75	0.50	$62.90	$52,221,687	$33,181,198	$1.97	$1.25
16	GEORGIA	4,007,939	$310.56	140.9%	125%	0.25	0.50	$62.27	$31,196,795	$27,416,418	$0.65	$0.57
17	IDAHO	585,075	$310.28	20.6%	125%	1.00	0.25	$61.99	$9,067,200	$17,432,063	$1.29	$2.48
18	FLORIDA	9,005,328	$301.25	316.5%	121%	0.10	0.25	$52.96	$11,923,054	$24,545,334	$0.11	$0.23
19	NORTH CAROLINA	3,986,688	$301.22	140.1%	121%	0.25	0.25	$52.93	$13,188,462	$21,871,329	$0.28	$0.46
20	KENTUCKY	1,867,207	$294.30	65.6%	119%	0.75	0.25	$46.01	$16,108,161	$10,125,551	$0.72	$0.45
21	KANSAS	1,415,294	$284.09	49.7%	114%	1.00	0.25	$35.80	$12,666,881	$26,662,930	$0.75	$1.57
22	ARIZONA	2,295,217	$279.60	80.7%	113%	0.75	0.25	$31.31	$13,474,358	$15,625,845	$0.49	$0.57
23	HAWAII	651,599	$277.13	22.9%	112%	1.00	0.25	$28.84	$4,698,029	$0	$0.60	$0.00
24	OREGON	1,750,951	$276.13	61.5%	111%	0.75	0.25	$27.84	$9,139,964	$9,837,250	$0.44	$0.47
25	OKLAHOMA	1,733,764	$275.97	60.9%	111%	0.75	0.25	$27.68	$8,998,235	$27,039,997	$0.43	$1.30
26	TENNESSEE	2,920,411	$268.81	102.6%	108%	0.25	0.25	$20.52	$3,745,427	$3,391,731	$0.11	$0.10
27	ALABAMA	2,189,579	$264.46	76.9%	107%	0.75	0.25	$16.17	$6,638,530	$21,949,610	$0.25	$0.84
28	TEXAS	10,099,535	$264.22	354.9%	106%	0.10	0.25	$15.93	$4,022,140	$89,131,703	$0.03	$0.74
29	NEW YORK	11,586,634	$263.81	407.2%	106%	0.10	0.25	$15.52	$4,495,614	$12,216,682	$0.03	$0.09
30	NORTH DAKOTA	379,901	$263.48	13.4%	106%	1.00	0.25	$15.19	$1,442,674	$3,813,765	$0.32	$0.84
31	COLORADO	2,275,695	$260.35	80.0%	105%	0.75	0.25	$12.06	$5,145,915	$4,047,767	$0.19	$0.15
32	MISSOURI	2,942,679	$252.28	103.4%	102%	0.25	0.25	$3.99	$733,831	$46,214,438	$0.02	$1.31
33	VIRGINIA	3,825,209	$252.01	134.4%	101%	0.25	0.25	$3.72	$889,361	$4,046,586	$0.02	$0.09
34	SOUTH DAKOTA	374,500	$244.80	13.2%	99%	NA	NA	NA	NA	$2,328,390	NA	$0.52
35	CONNECTICUT	1,887,667	$243.90	66.3%	98%	NA	NA	NA	NA	$0	NA	$0.00
36	WASHINGTON	3,094,326	$235.03	108.7%	95%	NA	NA	NA	NA	$15,853,445	NA	$0.43
37	INDIANA	3,084,878	$231.16	108.4%	93%	NA	NA	NA	NA	$2,159,859	NA	$0.06
38	RHODE ISLAND	571,177	$229.24	20.1%	92%	NA	NA	NA	NA	$0	NA	$0.00
39	MINNESOTA	2,568,176	$228.56	90.3%	92%	NA	NA	NA	NA	$7,989,740	NA	$0.26
40	OHIO	6,010,829	$227.32	211.2%	92%	NA	NA	NA	NA	$2,159,579	NA	$0.03
41	MICHIGAN	5,578,197	$226.82	196.0%	91%	NA	NA	NA	NA	$11,611,663	NA	$0.17
42	MASSACHUSETTS	3,846,024	$225.25	135.2%	91%	NA	NA	NA	NA	$0	NA	$0.00
43	WISCONSIN	2,924,247	$219.80	102.8%	89%	NA	NA	NA	NA	$7,462,568	NA	$0.21
44	NEBRASKA	910,221	$216.54	32.0%	87%	NA	NA	NA	NA	$4,846,571	NA	$0.44
45	DELAWARE	465,492	$213.93	16.4%	86%	NA	NA	NA	NA	$0	NA	$0.00
46	PENNSYLVANIA	7,233,720	$213.87	254.2%	86%	NA	NA	NA	NA	$976,441	NA	$0.01
47	MARYLAND	3,114,749	$213.86	109.5%	86%	NA	NA	NA	NA	$0	NA	$0.00
48	UTAH	920,944	$208.74	32.4%	84%	NA	NA	NA	NA	$2,732,858	NA	$0.25
49	CALIFORNIA	19,444,646	$206.51	683.3%	83%	NA	NA	NA	NA	$45,813,589	NA	$0.20
50	NEW JERSEY	5,449,231	$202.66	191.5%	82%	NA	NA	NA	NA	$1,615,554	NA	$0.02
51	IOWA	1,456,987	$201.79	51.2%	81%	NA	NA	NA	NA	$3,560,167	NA	$0.20
52	NEVADA	957,264	$186.50	33.6%	75%	NA	NA	NA	NA	$2,990,416	NA	$0.26
53	ILLINOIS	7,150,327	$167.35	251.3%	67%	NA	NA	NA	NA	$3,051,035	NA	$0.04
54	DISTRICT OF COLUMBIA	848,419	$77.03	29.8%	31%	NA	NA	NA	NA	$0	NA	$0.00
55	TOTAL LOOPS	153,657,189										
56	AVERAGE LOOPS/JURIS.	2,845,504							$732,700,581	$734,573,105		$0.40
57	NACL		$248.29									

COLUMNS A, B, & I = YEAR END 12/94 USF DATA (NECA 9/95 FILING)
SACL=STATEWIDE AVERAGE COST PER LOOP
NACL=NATIONWIDE AVERAGE COST PER LOOP

COST FACTOR=	IF SACL/ NACL
0.25	>100% to 125%
0.50	>125% to 150%
0.75	>150% to 175%
1.00	>175%

LOOP FACTOR=	ST LOOPS/ AVG LOOPS
1.00	< 50%
0.75	> 50% to100%
0.25	> 100% to 150%
0.10	> 150%